

European Communities

EUROPEAN PARLIAMENT

Working Documents

1980 - 1981

17 April 1980

DOCUMENT 1-79/80

Report

drawn up on behalf of the Committee on Budgetary Control

**on the Seventh and Eight Financial Reports on the European
Agricultural Guidance and Guarantee Fund - 1977 and 1978 -
Guarantee Section**

Rapporteur: Mr R. BATTERSBY

On 13 February 1980, the Committee on Budgetary Control was authorized to prepare a report on the seventh and eighth financial reports on the European Agricultural Guidance and Guarantee Funds for the years 1977 and 1978.

The Committee on Budgetary Control confirmed the mandate of Mr Battersby as rapporteur.

It considered the draft report at its meeting on 31 March - 1 April 1980 and adopted the Motion for a Resolution unanimously, save for two abstentions.

Present at the time of voting: Mr Aigner, Chairman, Mr Dankert, Mrs Boserup and Mr Price, Vice-Chairmen, Mr Battersby, rapporteur, Mr Coppieters, Mr Filippi, Mr Früh (deputizing for Mr Ryan), Mr Gouthier, Mr Irmer, Mr Edward Kallett-Bowman, Mr Langes, (deputizing for Mr Pflimlin), Mr Notenboom, Mr Simonnet, Mr John Mark Taylor and Mr Wettig.

The opinions of the Committee on Agriculture are attached.

C O N T E N T S

	<u>Page</u>
A MOTION FOR A RESOLUTION	5
B EXPLANATORY STATEMENT	8
I. General review	8
1. Expenditure	8
2. Revenue	9
II. New developments in 1977 and 1978	9
1. Market mechanisms and financial regulations ..	9
2. The new agricultural prices	10
III. Main results	11
1. Expenditure broken down by type	11
2. Appropriations and their utilization	11
IV. Problem areas	12
1. Irregularities	12
2. Closure of accounts	13
3. Food aid	14
V. Conclusions	14
1. Broad analysis of overall expenditure on the Guarantee Section	14
2. The problem of surpluses	15
3. Expenditure resulting from the monetary situation	16
4. Comparison of agricultural expenditure with the gross domestic product and with national expenditure	17
5. State Aid	18
Opinion of the Committee on Agriculture (COM (78) 594 final and COM (78) 633 final)	20
Opinion of the Committee on Agriculture (COM(79) 596 final and COM (79) 579 final)	31

The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the Seventh and Eighth Financial Reports on the European Agricultural Guidance and Guarantee Fund - 1977 and 1978 - Guarantee Section

The European Parliament

- having regard to the Seventh and Eighth Financial Reports of the Commission of the European Communities on the EAGGF (COM (78) 633 final and COM (79) 596 final),
 - considering the continuous and accelerating increase in agricultural expenditure;
 - noting that the EAGGF Guarantee expenditure accounts for about three-quarters of the total budget;
 - taking into account the political will expressed by Parliament in recent years to strike a better balance in the Community budget between agricultural expenditure and expenditure on other policies and deploring the fact that the Council has failed to respond to Parliament's wishes;
 - recognising that the common agricultural policy is one of the key elements of the European Community;
 - anxious to bring about an improvement of the common agricultural policy in accordance with Article 39 of the EEC Treaty;
 - concerned at the cost to the Community taxpayer of - and the damage done to the image of the Community by - irregularities and frauds in the EAGGF sphere;
 - having regard to the report of the Committee on Budgetary Control and the opinions of the Committee on Agriculture (doc. 1-79/80),
- 1. Believes that, to ensure the future viability of the common agricultural policy, the problems of structural surpluses and financing must be solved;
- 2. Considers that the Seventh and Eighth Reports expose a number of facts which render reform of certain sectors of the Community agricultural policy all the more urgent;

3. Appreciates that the Commission's detailed annual reports constitute a useful instrument of information for Parliament and Council as partners in the budgetary authority;
4. Observes that the measures taken up to now have had little impact;
5. Notes that expenditure in some sectors such as milk and milk products, sugar and beef was considerably in excess of both the initial estimates and the expenditure incurred in the preceding years;
6. Calls on the Commission and the Council to adopt more cautious price and intervention policies;
7. Draws attention to the level of irregularities in the EAGGF sector which is both a cost to the Community budget and a source of adverse publicity for the Community, and notes that the insignificant overall number and size of irregularities detected over the past five years has not increased proportionately with the significant growth in the budget allocations expended on the EAGGF sector;
8. Consequently asks the Commission (a) to step up its control and verification activities; (b) to follow-up the findings of the Special Committee of Inquiry; and (c) to put forward proposals to eliminate the known possibilities for fraud;
9. Expresses its concern about the scale and accelerating pace of expenditure on the buying in, storage and marketing of agricultural products in surplus, which far exceeds the total of all non-agricultural expenditure of the Communities, and draws attention to the resulting high level of Community stocks, in public and private storage, of agricultural products which amounted to some 3,100 million units of account on 31.12.1978;
10. Asks its Committee on Budgetary Control to report on the budgetary control aspects of the prefixation system, especially as it applies to the dairy products and cereals sectors;

11. Reiterates its demand that the European Parliament should participate fully in the annual price review and in the final drafting of agricultural legislation in accordance with the joint declaration¹ providing for conciliation on Community acts 'which have appreciable financial implications';
12. Considers that, in future financial reports on the EAGGF and in the financial estimates for proposed modifications to existing regulations, the Commission should endeavour to quantify the full financial effect of measures taken or proposed in the Guarantee sector so that a better-informed political judgment may be reached on their costs and benefits;
13. Deplores the high level of significant transfers between the EAGGF chapters which totally distort the effect intended by the budgetary authority when it adopted the budget;
14. Also deplores the high level of carry overs which impair the effectiveness of the budget as an instrument of annual budgetary policy;
15. Calls on the Commission of the European Communities to expedite its work on the closure of accounts for past years because the present situation, with its lengthy delays, considerably diminishes the significance and effectiveness of the discharge procedure;
16. Draws attention to the fact that national outlay accounts for two-thirds of combined public authority expenditure on agriculture, and therefore urges that a joint review of national and Community outlay in relation to agriculture be undertaken without delay to ensure that conditions of fair competition prevail and that the maximum economic use is made of overall Community resources;
17. Requests the President of the European Parliament to forward this resolution to the Council and Commission.

¹ OJ No C 89, p 1, 22.4.1975.

EXPLANATORY STATEMENTINTRODUCTION

As last year, the Eighth Financial Report on the EAGGF, Guarantee Section, submitted by the Commission in November 1979, again provides more than 100 pages of an extremely detailed review of the Commission's financial activity in this sector including extensive tables.

To maintain a measure of continuity, the rapporteur has endeavoured to incorporate, or take into account, the data and results given in the Commission's Seventh Financial Report of November 1978. Because of direct elections there was no report on the Seventh Financial Report of the Commission.

As well, the rapporteur has analysed the material contained in the report, summarizing its main points and drawing the appropriate conclusions.

I. General review1. Expenditure

What the Commission calls total 'provisional' expenditure on the EAGGF, Guarantee Section, amounted in 1978 to 8,679 m EUA, in round figures, compared with 6,830 m EUA in 1977. This represents an increase of around 2,000 m EUA or 30% (20% the previous year). It is clear that, in both the years under review, as indeed in previous years (see Annex G XI of the Commission report), the lion's share of expenditure was taken by milk and dairy products. The constant and escalating rise in expenditure on cereals and sugar is also alarming.

The following table provides a summary of the main items of expenditure compared with the previous year:

Sector	1978 payments		1977 payments	Difference
	Total	Refunds		
Milk and dairy products	4,015	1,565	2,924	+ 37.3%
Cereals	1,112	366	630	+ 76.5%
Monetary compensatory amounts	880		989	- 13 %
Sugar	878	640	698	+ 25.8%
Beef and veal	639	145	468	+ 36.5%
Oils and fats	325	0.2	268	+ 21.3%

Total available appropriations in 1978 were 8,703.25 m EUA, and the commitment appropriations amounted to 8,700.6 m EUA. In 1977, a surplus of around 533 m u.a. was achieved by savings in the cereals, oils and fats and beef and veal sectors and by lower than expected agri-monetary expenditure.

2. Revenue

This expenditure must be set against revenue in the form of agricultural levies and levies on sugar production amounting to almost 2,300 m EUA in 1978. The Commission sets out the growth in income generated by the common agricultural policy over the last five years as follows (see Table 6, p.26):

Type of revenue	m EUA				
	1974	1975	1976	1977	1978
Import levy	279.9	534.0	1040.1	1816.9	1872.7
Sugar production levy	81.0	86.0	133.2	320.8	406.3
Total	360.9	620.0	1173.3	2137.7	2279.0

According to the Commission, the substantial rise in this form of revenue is mainly due to the fall in the general level of world prices while prices within the Community have increased. For this reason, net expenditure on the EAGGF, Guarantee Section, in 1977 was actually lower than that in 1976 (Table G XII 1977). In 1978, however, it increased substantially, with the result that net expenditure on the EAGGF, Guarantee Section, expressed as a proportion of Community gross domestic product at market prices, rose from 0.34% to 0.41% (See Annex G XIII in the Commission report), thus regaining the level of 1973.

II. New developments in 1977 and 1978

1. Market mechanisms and financial regulations

In 1977 no new common market organizations having financial implications were set up. Alterations with financial implications were however made in various sectors, mainly affecting cereals, dairy products, beef and veal and wine. The following alterations deserve special mention from the financial point of view:

- in the milk and dairy products sector:
 - . a co-responsibility levy of 1.5% was introduced at producer level, coming into force on 16 September 1977,

- . premiums for the non-marketing of milk and dairy products were introduced, 60% being financed by the Guarantee Section and 40% by the Guidance Section of the EAGGF,
 - . a regulation was introduced for a Community contribution to programmes in the Member States for the provision of milk and certain dairy products to school children at reduced prices, and
 - . no less important, subsidies were introduced for butter consumption and the sale of intervention butter at reduced prices (Christmas butter);
- in the beef and veal sector:
 - . a new import regulation was adopted, and slaughtering premiums and calving premiums were renewed for the 1977/78 marketing year;
 - in the raw tobacco sector:
 - . the quantities eligible for intervention in the case of a certain variety of tobacco were reduced and limited.

In 1978 there were changes in the method of operation of several common market organizations. In this regard particular mention should be made of measures in the milk and dairy products sector designed to achieve a better market balance: in exchange for reducing the co-responsibility levy to 0.5% a range of measures was adopted to expand the markets for dairy products as detailed on pages 3 to 5 of the Commission report. Table 1 on page 4 summarizes revenue and expenditure connected with these measures. By the end of the 1978/79 marketing year on 31 March 1979, revenue totalling 210.7 m EUA had been raised by the introduction of the co-responsibility levy on 16 September 1977.

New arrangements were introduced for beef and veal, pigmeat, fruit and vegetables, dried fodder and peas and field beans; since 1978 these have resulted in additional annual expenditure of over 200 m EUA. In addition to alterations to the regulations on sugar and isoglucose and cereals and rice (granting of export refunds) a radical revision of the regulation on the common organization of the market in olive oil was introduced with the aim of improving the marketing of this product.

2. The new agricultural prices

Agricultural prices were raised by approximately 3.9% in the 1977/1978 marketing year and by an average of 2.1% in the 1978/79 marketing year. Some reduction in the monetary compensatory amounts was achieved by the adjustment of the representative rates. These decisions and the above-mentioned alterations with financial implications resulted in an increase in expenditure of roughly 270 m u.a. over the 1977 budget, the Commission states, and approximately 210 m EUA over the 1978 budget. These costs derived primarily from measures adopted in parallel with certain regulations, particularly in the milk and dairy products sector.

III. Main results

1. Expenditure broken down by type

The Commission's extensive tables highlight the following interesting facts: the cost of purely agricultural measures, i.e. export refunds and intervention, amounted to 5,118 m u.a. in 1977 and to around 32% more in 1978, at 6,777 m EUA. The difference between this and total expenditure, amounting respectively to 1,544 and 2,104 m u.a. in round figures, is explained by the accession compensatory amounts, monetary compensatory amounts and the effect of the dual exchange rate, and comes to almost a quarter of total Guarantee Section expenditure. In relation to purely agricultural expenditure this category of expenditure amounts to a little over 30% (for full details see Table G XII in the Commission report).

The breakdown for purely agricultural expenditure in 1978 was as follows (1977 figures in parentheses): 45% (44.7%) was spent on refunds, 27.2% (33.2%) on price adjustment subsidies, and 7.5% (18.8%) on withdrawal from the market. Total expenditure on intervention thus amounted to 54.9% (55.3%) or 3,721.3 (2,830.9) m u.a.

At 1,653.8 (971.3) m u.a. on expenditure for the buying-in, storage and disposal of products, the cost of storage is once again the second highest form of intervention expenditure, reaching a level which far exceeds expenditure on e.g. the Regional Fund.

The ratio between the cost of private and public storage was approximately 1 to 2 in 1977 and almost 1 to 4 in 1978. It is interesting, but also alarming, to note from the Commission statistics that the value of products in public storage at the end of the year (Annex G X of the Commission report) amounted in 1977 to approximately 2,300 m EUA and in 1978 to 1,860 m AUA. In both years milk powder takes the largest share, followed by butter and frozen boned beef and veal.

In total, apart from a shift of emphasis, expenditure resulting from the monetary situation (monetary compensatory amounts and expenditure resulting from the dual exchange rate) increased substantially from 1,369 m u.a. to 1,872 m u.a., and account for more than a fifth of all Guarantee Section expenditure.

2. Appropriations and their utilization

A total of 99.6% of the appropriations available in 1978 were utilized. The average utilization, i.e. the comparison between funds available in the Member States to meet each month's expenditure and the balance available after payment (see Commission's Table 8) comes out at 77% (64%) for the Community as a whole. Italy and France show a particularly low utilization.

In the case of Italy, it is only 40% (30%), a level which prompted the Commission in its 1977 report to consider charging interest on unjustified reserves.

To sum up, the following picture emerges (point 5.5. of the report):

Appropriations available	8,703,250,000.00 EUA
Payments charged	8,672,819,260.97 EUA
Unused appropriations proposed for carry-over to 1979	30,430,739.03 EUA

Cancellations in the year under review amounted to approximately 509 m u.a.

IV. Problem areas

1. Irregularities

The occurrence of irregularities and fraud, measures for their prevention, and problems arising out of the discharge for previous years, were discussed on several occasions by the old Control Subcommittee of the Committee on Budgets and by the committee itself. The new Committee on Budgetary Control considered this problem at length during the discharge procedure for the 1977 financial year in connection with the annual report submitted by the Court of Auditors, and will do so again in its report on the discharge for 1978. For this reason, and also to avoid overlapping between the two reports, these problems will not be considered in depth here.

Some facts and conclusions do however deserve mention. Comparison of the number of cases of fraud cited in the Seventh and Eighth Financial Reports reveals some substantial changes: Whilst the number of cases originally given for 1977 was 169, in the Eighth Report it is now shown to be 152.

The latest data provided by the Commission in the Eighth Financial Report for the last three years are as follows (see Tables 9 and 11 of the respective reports):

	1976		1977 ¹		1978		Total 1971 - 78	
	No of cases	Amt in EUA	No of cases	Amt in EUA	No of cases	Amt in EUA	No of cases	Amt in EUA
Cases reported	239	6,135,009	152	9,534,426	117	2,999,928	814	41,520,784
of which recovered	104	2,426,831	61	2,196,944	52	1,039,988	445	20,918,608

¹ For a breakdown of cases reported in 1978 see Annex G XV of the Commission report

A noteworthy development was the establishment of an inter-departmental group at the Commission to increase the effectiveness of investigations by coordinating controls in the Member States.

The investigation of expenditure and prosecution of irregularities, as also the implementation of measures for their prevention, should be vigorously pursued. It is particularly important not only to carry out systematic investigations but also to draw the right conclusions from them. In this context steps have to be taken

- to improve the system of reporting, recording and analysing of irregularities, possibly eventually by computer,
- to extend the system for informing the Member States of cases of irregularity.
- to amend regulations which permit "legal" or illegal irregularities as a result of legal omissions or legal ambiguity, lack of clarity or other legal loopholes,
- consistently and relentlessly to prosecute cases of fraud of the Como Case type, and to take the relevant preventive action indicated by the analysis of such cases to prevent recurrence of such types of fraud,
- to ensure that there is a mutual exchange of information between Commission, the Budget Control Committee of Parliament, and national officials so as to prevent further irregularities.

The Commission's Special Committee of Inquiry, which investigates specific sectors in depth, continued to do good work in 1977 and 1978 (in the wine and cereals sectors). Its reports are dealt with separately as part of the audit work of the Committee on Budgetary Control.

2. Closure of accounts

At the end of 1978 the backlog in the closure of accounts had reached four years. The closures of accounts outstanding for past years have been the subject of detailed comment by the Court of Auditors in its annual reports for the 1977 and 1978 financial years:

- the clearing operation for the years 1967-70 was finally completed in September 1978,
 - the accounts for 1971 and 1972 were closed in December 1975, but according to the Commission had to be reviewed following two series of judgments by the Court of Justice,
 - the audit for 1973 has been completed by the Commission, and
 - work has begun on the closure of accounts for 1974 and 1975, but because of delays in the submission of supporting documents by the intervention agencies there is likely to be further considerable delay for the 1976 and 1977 marketing years.
- The information provided and the lessons to be drawn from such operations, therefore, tend to be more of historical academic value than of practical use.

This is an unacceptable situation and the Member States must again be urged to avoid delays in the despatch of supporting documents for the clearance of accounts.

3. Food aid

Expenditure on Community food aid has grown as follows since 1972 (see food aid Chapter in budget¹):

	<u>Financial year</u>						
	1972	1973	1974	1975	1976	1977	1978 ²
Amount in m u.a.	24	105	106	191	116	187	236

¹ see Commission's Annex A IV

² expressed in EUA from 1 January 1978

The financial management of food aid is based on rules very similar to those applicable to the Guarantee Section. Overall expenditure is still financed separately out of Chapter 92 (Food Aid) and Title 6 (EAGGF, Guarantee Section) of the general budget.

The appropriations carried over from 1977 to 1978 amounted to approximately 124 m u.a., making a total of approximately 356 m EUA available in 1978. The difference between this and the payments figure, amounting to around 100 million, was carried over to 1979 and approximately 20 million was cancelled.

The Committee on Budgetary Control set out its views on problems in the food aid sector at length in its report on the discharge for 1977 and it will be returning to this question in its report on the 1978 financial year. The Court of Auditors also dealt with this problem in detail in its annual report for the 1978 financial year.

V. Conclusions

1. Broad analysis of overall expenditure on the Guarantee Section

In the final section of this report an attempt will be made to draw some quantitative and qualitative conclusions on the common agricultural policy and associated expenditure¹, taking into account the detailed statistical material given in the 1978 report on the situation of agriculture in the Community.

As in the past, Community spending on agriculture accounts for approxi-

¹ Unless otherwise stated, the following overall statistical data were compiled by the rapporteur from the detailed material given in 'Eurostat - Basic Community statistics, 1977' and the 1978 Commission report on the situation of agriculture in the Community.

mately three-quarters of total expenditure under the Community budget. Of this expenditure over 90% goes on the Guarantee Section, i.e. for export refunds, intervention and storage, as well as for compensation arising out of imbalances in the monetary situation in the Member States. The fact that expenditure on milk and dairy products has risen to almost 50% of all Guarantee expenditure in the last few years (over 4,000 million EUA in 1978) is disturbing. It is significant that in the case of second category intervention (for buying-in, storage and disposal) milk and dairy products are likewise in the lead, with approximately 890 m u.a. out of a total of 1,585 m u.a., followed by expenditure on beef and veal (320 m u.a.)¹. This means the figures have doubled since 1977.

Application of the 'co-responsibility levy' from September 1977 did not make any significant impact following its reduction for the 1978/79 marketing year, which also reduced substantially the income expected from it (down to 137 m AUA).

2. The problem of surpluses

There can be no doubt that excess production in various sectors of Community agriculture is the consequence of the price policy followed by the Community. The measures proposed and carried out by the Commission in the last few years show that it has recognized the problem and is determined to improve the situation by means of

- a cautious price policy
- the modification of certain market organizations
- the gradual abolition of monetary compensatory amounts, and
- the introduction of a producer levy.

In the budgetary procedure of recent years, the Committee on Budgets has also discussed various proposals to restrain agricultural expenditure². It has called in particular for

¹See Table 2 (COM(79) 596 final).

²See also reports on the draft general budget of the Community for the 1979 and 1980 financial years.

- a ceiling on agricultural expenditure;
- a better balance between agricultural expenditure and other appropriations in the budget;
- the creation of an information system to provide an early warning of the exhaustion of appropriations in the agricultural sector of the budget.

The urgency of the problem and the danger of own resources being frittered away by an agricultural policy whose main feature is surplus stocks are such that the European Parliament put forward in the course of the 1980 budget procedure specific demands and proposals for the dairy sector. These proposals were rejected by the Council, causing the draft budget to be rejected in turn by Parliament.

Parliament feels that a decisive solution must lie in the first place in a revision of the basic regulations governing the common agricultural policy and the various common market organizations, without calling into question the essential principles of the CAP. Here the cooperation of Council and Parliament, i.e. both branches of the budgetary authority, in the enactment of agricultural legislation, is essential.

Scrutiny of the extensive statistics in the Commission's 1978 report on the situation of agriculture in the Community in fact reveals alarming information on surplus production:

In the 1977/78 marketing year 39% of skimmed milk powder, 8.9% of butter, 13.4% of olive oil and 9.5% of rye production went into public storage in the EEC, to name only the products showing the highest storage percentages.¹ These figures confirm yet again the need for the market organizations to be reviewed.

3. Expenditure resulting from the monetary situation

In 1978 expenditure on monetary compensatory amounts represented close on 10% of total expenditure by the Guarantee Section (Point 3.3.C of the Commission's report). This expenditure, which results from the divergence of the Member States' economies or from the failure to achieve economic and monetary union, is seen to be greater than 20% of Guarantee expenditure if the effects of application of the different exchange rates (double rates) are also taken into account.²

¹ Over 5% is considered high by the rapporteur.

² These effects cannot however be seen exclusively as expenditure

It is to be hoped that introduction of the European Monetary System will lead to greater stability and uniformity of European monetary policies, especially as the Commission states in its report on the agricultural situation that 'a more uniform economic and monetary policy would facilitate abolition of the monetary compensatory amounts (on 23 October 1978 the extreme values were +10.8% for Germany and -28.6% for the United Kingdom) and promote the progressive restoration of the common agricultural market'¹.

In fact, every effort must be made to achieve this aim; failing this there is an inevitable risk of collapse of the common agricultural policy.

4. Comparison of agricultural expenditure with the gross domestic product of the Community and with national expenditure

Structural changes in agriculture are continuing and have not slackened in the years of weak economic growth. The Commission notes changes at every level in its report on the situation of agriculture. It also points out that the share of agriculture in the domestic product and in the active population of the EEC is continuing to diminish (Section 326 of the report).

The facts are as follows :

- The overall cost (which is by no means easy to define) of agricultural policy is met for the most part by the Member States. In 1975 this cost represented 20.8% of the final production of the agricultural sector (Section 327).

In numerical terms (see Table 80 in the report) national expenditure on implementation of the agricultural policy totalled over 7,000 million EUA in 1977. Allowing for the cost of financing social security, amounting to 6,000 million EUA, total national expenditure exceeds 13,000 million EUA. Against this, the Commission estimates Community expenditure by the EAGGF, Guarantee and Guidance Sections, at some 7.2 thousand million EUA. In 1976, 56% of the total expenditure for the benefit of agriculture went to the production sector (see Table 81 in the Commission's report).

¹ 1978 report on the agricultural situation in the Community, p. 153

- This expenditure seems all the more difficult to justify when it is viewed in relation to the share accounted for by agriculture, forestry and fisheries in the Community's total gross domestic product of 1,454 thousand million EUA in 1977. In 1976 this share was in the order of 4.5% of the Community GDP, with individual shares ranging from 2% in the United Kingdom to some 8% in Italy and about twice that amount in Ireland. A discrepancy is clearly apparent when it is remembered that agriculture accounts for some 70% of expenditure in the Community budget.
- In 1977 persons employed in agriculture represented 8.2% of the active population of the EEC (see Table 58 in the report on the agricultural situation).

These facts in themselves are reason enough to embark upon a joint review of national and Community agricultural policies. The problem of structural expenditure is even more pressing since over 90% of the cost of structural policy falls within the competence of the Member States. This imbalance between powers and resources is bound to be detrimental to the cohesion of agricultural policy as a whole, quite apart from the fact that specific national measures may in fact run counter to the Community's own objectives for agriculture¹.

Furthermore, it might be desirable to extend the terms of reference of the task force established by the Commission for the coordination of financing instruments with structural objectives in order to achieve progressive coordination of Community measures and financing instruments with their national counterparts. At all events a common policy supported by all the Member States, as opposed to mere participation in national policies, appears more urgently necessary than ever.

5. State aid

The following quotation from the most recent report of the EC on agriculture⁽²⁾ is particularly significant.

"National aid for agriculture presents a major problem in respect of competition and intra-Community trade, as also in relation to the common agricultural policy ; no satisfactory solution to this problem has yet been found. Quite clearly, the Commission cannot fulfil the tasks laid upon it by the Treaty of Rome in respect of competition unless it can count on the cooperation of all the Member States, on the basis of respect both for Community law and for the principles of the common agricultural policy.

¹ See Sections 17 and 18 of Mr SHAW's working document on the discharge for 1977 (PE 57.728)

² The Agricultural situation in the Community, 1979 report paras 217 and 220.

On the other hand, national policies can create difficulties if they dispense large financial resources on behalf of agricultural sectors with surpluses and a critical market situation, such as the milk sector. In such situations strict limits may have to be placed on aid if the common market and the common agricultural policy are to function as they should. The Commission has therefore put proposals to the Council whereby aid for the milk sector, the cultivation under glass and for pig farming would be prohibited."

This situation, which inevitably destabilises the intended impact of the Community budget, needs early correction and it is to be hoped that the Council will respond swiftly by effecting the necessary reforms and ensuring a rational harmonisation of individual member state aids. To this end, a joint review appears to be essential, and should be undertaken without delay. In the absence of positive constructive actions by the Council, the common agricultural policy, which is a cornerstone of the Community, will be gravely at risk.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr Isidor FRÜH["]

At its meeting of 13 December 1978 the Committee on Agriculture appointed Mr Fröh draftsman.

It considered the draft opinion at its meeting of 24 April 1979 and adopted it by 10 votes with one abstention.

Present: Mr Caillavet, chairman; Mr Fröh, draftsman; Mr Albertini, Mr Brégégère, Mr Dewulf, Mr Durand, Mr Inchauspé, Mr Klinker, Mr Lemp, Mr Willi Müller and Mr Pisoni.

Financial report

1. Every year the financial report on the EAGGF prepared by the Commission is referred to the Committee on Agriculture of the European Parliament for its opinion. It is a report that usually sets in train an argument between the adherents of two conflicting schools of thought: those who use its findings to attack the CAP as a source of massive and unjustified expenditure, and those who use the same findings as the basis of a vigorous defence of the CAP and the benefits it offers to European producers and consumers alike.

2. In fact, however, the financial report includes very little that is not already contained in the provisions of the annual budget, and it does nothing more than faithfully reflect the existing regulations, of which it is the automatic outcome. It is therefore futile to try to use it as a touchstone for one's particular beliefs about the validity of the CAP. The reform of the CAP, insofar as reform is needed, can be accomplished only by means of a review of the basic regulations and the various common market organizations.

3. The value of the financial report is rather to be found in the information it provides on three distinct matters, namely:

- (a) the difference, in the case of each product, between the estimates of expenditure in the budget and the expenditure actually incurred, from which it is possible to draw up a balance sheet and to assess how far the original appropriations were adequate to requirements and what factors influenced trends over the previous marketing year;
- (b) the fraudulent use of EAGGF aid, particularly that granted under the Guarantee Section, and the extent to which this is being combated;
- (c) the utilization of the appropriations earmarked for the Guidance Section, and the strengthening of this Section. Since what is here involved is Community reimbursement to Member States on the basis of projects carried out by them, it is interesting to consider the impact of the various structural measures instituted by the existing regulations, with a view to giving an informed judgment on the effectiveness and progress of the Community's structural policy.

(a) Estimates and actual expenditure

4. The financial report shows the main differences between the budget estimates and actual expenditure to be as follows:

Product

	expenditure compared with initial appropriations (in m u.a.)	comparison with 1976 (in m u.a.)
cereals (including rice and durum wheat)	- 187.5	- 36.3
milk/dairy products	+ 545 ¹	+ 493.5
olive oil	- 68	+ 9
sugar	+ 216.7	+ 310.2
beef and veal	- 198.2	- 232.4
pigmeat	- 48.1	+ 3.9
fruit and vegetables	+ 59.7	- 58.2
wine	- 33.1	- 82.0
monetary compensatory amounts	+ 277.9	+ 355.1
	<hr/>	<hr/>
EAGGF total	+ 495	+ 1092.4

5. If we consider the reasons for these differences, particularly as regards the two products for which expenditure was substantially higher than the estimates, i.e. milk and dairy products and sugar, we find that they are mainly attributable to the fall of prices on the world market, which resulted in an appreciable increase in Community export refunds.

6. The fact that in the case of some products, e.g. beef and veal, cereals and olive oil, expenditure was lower than the budget estimates is due to various factors, e.g. buoyancy of the market, modest harvests, delays in payments, etc.

¹This figure is reduced to 325.2 m u.a. if account is taken of the fact that an amount of 219.8 m u.a. had been set aside in Chapter 100 of the budget in connection with the application of the co-responsibility levy.

As regards monetary compensatory amounts (MCAs), however, it should be noted that the progressive depreciation of sterling from September 1976 onwards was not accompanied by a parallel adjustment of the currency's green rate. A partial adjustment was made only at the beginning of 1978, when the MCAs for sterling had risen to as much as 40%. The movement of the Italian lira has also been unfavourable, notwithstanding the more timely adjustments to its green rate. The combined effect of these two factors has been to push budgetary expenditure on MCAs far above the initial appropriations.

7. In short, then the substantial increase in expenditure compared with the original estimates was primarily due to three factors: milk, sugar and MCAs. As far as milk is concerned, however, important new measures are being implemented which should lead in the near future to a substantial reduction in budgetary expenditure. In Germany, for example, the introduction on 1 July 1977 of the Community measures to encourage the conversion of dairy herds to beef production and the grant of premiums for the non-marketing of milk have already led to 300,000 applications, which, according to the German Ministry of Agriculture, ought to remove from the market as much as 1.1 million tonnes of milk, equivalent to 4.7% of total production. In the Community as a whole the quantity of non-marketed milk should be about 2 million tonnes, which would offset about half the growth in milk production. This is far from satisfactory: some Member States have made little effort to apply these two measures, especially that relating to the conversion to beef production, and their effect has therefore been slight.

8. Other measures are envisaged in connection with the new price proposals for the 1979/80 marketing year, including further incentives to increase consumption and the application of the new variable co-responsibility levy, linked to an increase in production and the amount of land given over to fodder production. This levy is not applicable to small producers, to producers in mountain and certain other less-favoured areas, and to other milk producers under certain specified conditions.

In the medium term, these measures should lead to a cut-back in production, in particular by the large concerns which depend on imports of cheap substitute protein products (soya, tapioca, etc.) and which are primarily responsible for the problem of surpluses. This reduction should be achieved, moreover, without impairing to any appreciable extent the income of the small producer.

9. The situation on the sugar market is less auspicious, mainly because of the Community's undertaking to purchase 1,200,000 tonnes from the ACP countries at an advantageous price. This quota does nothing but aggravate the difficulties of the Community and world markets, which are already burdened by massive surpluses. It is extremely difficult to reconcile the various interests in this sector, i.e. the interests of Community producers, the developing ACP countries and the other sugar-producing third countries. For this reason, it is to be expected that budgetary expenditure will continue to be high for the foreseeable future and, indeed, may well have to be increased still further. However, this is perhaps not such a high price to pay when we consider that there is a crucial need, not only to preserve the incomes of Community producers, but also to assist those developing countries linked to the Community by the Lomé Convention with a view to bolstering their economies and fostering their development.

10. The fact that MCAs impose such a considerable burden on the Community budget is primarily due, as we have seen, to the persistence in the countries with weak currencies of marked discrepancies between the green rate and the market rate. A short-term remedy, involving a reduction in actual expenditure, would be to reduce these discrepancies within a reasonable period of time through successive but adequate devaluations of the green currencies. The long-term solution depends, however, on the establishment of the EMS, and hence on a more determined effort to achieve a degree of monetary stability which will do away with the need for new MCAs and permit a gradual dismantling of the present MCAs, while safeguarding the incomes of farmers in countries with strong currencies and positive MCAs.

Thus, even in this sector the prospects seem fairly bright, and it is quite likely that the cost of MCAs to the Community budget will from now on be less substantial.

(b) Verifications and irregularities involving the EAGGF Guarantee Section

11. Over the period 1971 to 1977, the number of irregularities involving the Guarantee Section of the EAGGF was as follows:

<u>Year</u>	<u>Number of cases</u>	<u>Amount (in m u.a.)</u>
1971	8	8.23
1972	20	2.07
1973	51	1.39
1974	93	4.72
1975	139	2.54
1976	257	5.98
1977	169	8.53
Total	737	33.50
Amounts recovered	334 (45.3%)	14.79 (44.1%)

Cases of irregularity in the various sectors in 1977 were as follows: (see Table G XIII, page 92):

<u>Product/sector</u>	<u>refunds</u>	<u>interventions</u>	<u>total</u>	<u>u.a.</u>
cereals	3	7	10	176,654
beef and veal	15	5	20	511,297
milk and dairy products	5	12	17	3,489,516
pigmeat	4	5	9	261,048
wine	-	26	26	151,426
non-Annex II products	4	-	4	18,646
oils and fats	-	2	2	¹
eggs and poultrymeat	2	-	2	1,138,660
fishery products	2	-	2	4,549
fruit and vegetables	1	-	1	9,536
flax	1	-	1	197
miscellaneous	1	-	1	1,250
MCAs	-	-	81	2,749,865
ACAs	-	-	5	26,773
Total	37	58	169 ²	8,539,419
Amounts recovered	-	-	45	1,580,188 (=18,5%)

12. As can be seen, then, in 1977 the number of irregularities recorded was less than in 1976, although the sums involved were considerably higher: 8.5 m u.a. as against 6 m u.a. in 1976 (+ 42%). Furthermore, while averaging 44% over the period 1971-1977, the proportion of the sums recovered in 1977 was only 18.5%. It may be, however, that the recovery operations for this year are still in progress and have not yet been concluded. The main sectors affected are, in order of importance, milk and dairy products (almost 3.5 m u.a.), MCAs (2.75 m u.a.) and eggs and poultrymeat (1.1 m u.a.). While the high incidence of irregularities in the first two sectors is perhaps to be expected in view of the appreciable amount of EAGGF aid allocated to them, in the case of the third sector it is rather curious, given that expenditure amounted to little more than 22 m u.a., which means that cases of irregularity involved as much as 5% of the expenditure, as against 0.14% in the case of milk. It would be worthwhile asking the Commission to explain why there were so many irregularities in this particular sector.

¹Amount yet to be determined

²In about twenty cases, the amounts have yet to be determined

13. It is imperative that the Commission should not relax its efforts to put a stop to these irregularities. The report shows that there was some reduction in 1977 compared with the previous year, both as regards the number of cases recorded and as regards the sums recovered. The Commission should obviously concentrate on the sectors in which irregularities involve the greatest amount of funds. These sectors should also be investigated by the Special Committee of Inquiry, which has already reported on other sectors, e.g. the wine sector, in which, however, the irregularities disclosed have involved quite a modest sum, hardly more in fact than 151,000 u.a., equivalent to approximately 0.17% of total expenditure (90.9 m u.a.). It seems that MCAs account for most of the irregularities, with 81 recorded cases. This figure is somewhat on the low side, however, since some irregularities are attributed to the product sector concerned, but actually also involve a misuse of MCAs. Irregularities involving MCAs probably occur because of the considerable complexity of the relevant legislation, its frequent modification and the fact that the MCAs are applied to all the principal products, in which there is a substantial trade between the Member States. It is essential, therefore, for the Commission to focus its attention on this sector.

(c) The Guidance Section

14. In 1977, in application of Regulation 17/64, the Commission financed 802 individual projects worth a total of more than 247 m u.a. and representing a total investment of 1,233.4 m u.a. As is known, 1977 was the last year of operation of the system of individual projects which, with the exception of certain projects financed by a special additional appropriation of 70 m u.a., were replaced in 1978 by common measures.

The contributions made to Member States for 1977 were fixed as follows:

	Amount of contri- bution (in m u.a.)	Number of projects
Italy	77.4	198
France	46.4	79
Germany	44.5	159
United Kingdom	27.3	95
Ireland	18.0	101
Belgium	12.3	78
Netherlands	11.3	49
Denmark	9.8	42
Luxembourg	0.07	1
TOTAL	247.3	802

15. Other aid decisions of less importance in financial terms involved the grant of aid to producers' organizations in the fruit and vegetable, hop and fishing sectors and for the improvement of the production and marketing of Community citrus fruit, and the grant of premiums to encourage the slaughter of cows, the non-marketing of milk and milk products and the promotion of meat production.

The second important chapter on the Guidance Section relates to the common measures implemented, in particular in application of the 1972 structural directives and the 1975 directive on mountain and hill farming and farming in less-favoured regions.

Under the four directives in question, reimbursements in 1977 amounted to a total of 77.03 m u.a., broken down as follows:

	(in m u.a.)	1977 + previous years (in m u.a.)
United Kingdom	30.36	48.70
France	16.57	27.89
Germany	14.77	28.45
Ireland	9.21	12.79
Netherlands	2.56	3.73
Denmark	1.71	2.42
Belgium	1.45	1.51
Luxembourg	0.37	0.37
Italy	0.00	0.00
TOTAL	77.03	125.88

It will be seen from this table that in 1977 the reimbursements far exceeded those granted in the previous year (+ 150%). The United Kingdom was the main beneficiary, benefiting mostly from the provisions of Directive 268/75 (less-favoured areas).

16. From this rapid survey of the operation of the Guidance Section in 1977, it is gratifying to note that the Commission, by making optimum use of the resources available, succeeded in financing an appreciable number of individual projects with a total allocation of almost 250 m u.a., and that 1977 was the year in which, save in one State, the 1972 and 1975 structural directives were finally implemented, resulting in a substantial increase in Community reimbursements. Nevertheless, cogent reasons still exist for re-establishing a balance between the Guarantee Section and

the Guidance Section, for while expenditure on the former was substantially increased from 1976 to 1977 (from 5,570 m u.a. to 6,620 m u.a., an increase of almost 19%), expenditure on the latter was kept at 325 m u.a. for both years. An effective Community structural policy can be evolved only if the appropriations allocated to the Guidance Section are increased to well over the upper limit hitherto set. Indeed, unless this is done, the positive developments of 1977, a year in which the structural policy seemed at last to have got satisfactorily under way, will not be consolidated.

17. A further danger is that the Community's structural policy will ultimately favour the more prosperous regions, while the poorest regions, such as the Mediterranean and peripheral areas, will be unable to take advantage of the benefits offered to them, either because of insufficient knowledge or else because of the objective difficulties inherent in the application of Community regulations in such regions. Italy is particularly exposed to this danger, partly because the structural directives are still in the early stages of application there and partly because there is a risk of delay in the implementation of the common measures relating to the processing and marketing of agricultural products and, more importantly, of the various measures adopted as part of the 'Mediterranean package' (irrigation, joint forestry projects, technical assistance, rural infrastructures, producer associations, etc.).

Thus, in this area too, there is a need for more intensive efforts on the part of the Community to provide aid and assistance as well as adequate information to the appropriate regional and local authorities. Furthermore, appropriate changes should, where necessary, be made to the Community's regulations and more especially to the measures most recently introduced if, in view of the difficult conditions under which the Community has to operate, they prove hard to implement.

Conclusions

The Committee on Agriculture:

(a) As regards the Guarantee Section

1. Notes that in 1977 expenditure in three sectors (milk and milk products, sugar and MCAs) was once again considerably in excess of both the initial estimates and the expenditure incurred in 1976;

2. Stresses that in two of these sectors (milk and MCAs) there are effective ways of gradually reducing EAGGF expenditure without endangering the income of millions of small producers, both through the various measures already in force or at the planning stage and through the EMS, which will guarantee greater monetary stability;
3. As regards the sugar sector, stresses the difficulty of reconciling budgetary requirements with the need both to guarantee a certain basic income for Community producers and, at the same time, to afford the exporting ACP countries real opportunities for economic development;
4. As regards the fraudulent use of EAGGF resources, points out that in 1977 there was quite a sharp increase in the amount involved in the irregularities recorded, but that this was not matched by a proportionate increase in the sums recovered;
5. Calls upon the Commission, therefore, to step up its control and verification activities, also through its Special Committee of Inquiry;
6. Requests the Commission to concentrate its efforts on those sectors in which irregularities involve the largest sums, and in particular on MCAs, which, because of the complexity of the rules governing their utilization, lend themselves to abuse;

(b) As regards the Guidance Section

7. Welcomes the fact that in 1977 fresh impetus was given to the structural policy, particularly through implementation on a broader scale of the common measures instituted under the structural directives;
8. Reaffirms the need to increase the resources of the Guidance Section to match the substantial annual increase in the appropriations set aside for the Guarantee Section;
9. Urges that the structural measures be directed more to assisting the less privileged regions of the Community, which must be helped to take the fullest possible advantage of the benefits offered them by the Community;

10. Urges the Commission to show willingness to make appropriate amendments to the Community's structural regulations as and when they present problems of implementation, in order to bring them more and more into line with the specific requirements of the abovementioned regions.

--oo0oo--

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr R. BOCKLET

At its meeting of 28 and 29 November 1979 the Committee on Agriculture appointed Mr Bocklet draftsman.

It considered the draft opinion at its meeting of 17, 18 and 19 March 1980 and adopted it unanimously.

Present: Sir Henry Plumb, chairman; Mr Fröh, vice-chairman; Mr Bocklet, draftsman; Mr Battersby, Mr Blaney (deputizing for Mr Skovmand), Miss Brookes (deputizing for Mr Kirk), Mr Costanzo (deputizing for Mr Diana), Mr Dalsass, Mr De Keersmaeker (deputizing for Mr Tolman) Mr Helms, Mr Key (deputizing for Mr Lynge), Mr Louwes (deputizing for Mr Caillavet), Mr Maher, Mr Mertens (deputizing for Mr Clinton), Mr d'Ormesson, Mr Provan, Mr Wettig and Mr Woltjer.

I. INTRODUCTION

1. Every year since 1971 the Commission submits to the Council and to the European Parliament a financial report on the administration of the EAGGF during the preceding financial year and, in particular, on the state of its resources and the nature of expenditure and the conditions under which Community financing has been effected.

The first part of this report covers EAGGF Guarantee Section expenditure and Community financing of food aid in 1978. The second part deals in particular with expenditure in the EAGGF Guidance Section.

2. The Eighth Financial Report shows that the Commission has made a real effort to provide the European Parliament and the Council with detailed information, in particular statistics. Like its predecessors, this report will enable the European Parliament to exercise retrospective control over EAGGF management and enable it to determine whether the measures taken in 1978 to combat certain surpluses have been effective and whether they should be strengthened, or even whether they can be dropped.
3. In drawing up its opinion, the Committee on Agriculture will leave it to the Committee on Budgetary Control to consider the specific budgetary control aspects of the Eighth Financial Report, including the liquidity position and the management of appropriations, as well as the clearance and closing of accounts. It will confine its attention to the aspect which naturally falls within its terms of reference, i.e. consideration of the extent to which the activities carried out in 1978 were compatible with the objectives of the common agricultural policy.

II. EAGGF - GUARANTEE SECTION

4. Expenditure carried out in 1978 under the EAGGF Guarantee Section reflects the rules and regulations in operation at the time. It is interesting in this connection to compare actual expenditure in 1978 with the estimates entered in the 1978 budget (Annex I).

It will be observed that the overall appropriation for the Guarantee Section is fairly accurate, but that there are considerable differences in each of the sectors concerned. This shows that the overall accuracy of the appropriation is more a matter of luck than of reliability of the forecasting mechanisms.

5. The differences in each of these sectors are hardly surprising, since market support expenditure is bound to be unpredictable because of basic agricultural factors such as production levels or internal and world market price levels, which inevitably lead to discrepancies between actual expenditure and the expenditure forecasts when the budget is drawn up.

Moreover, the estimates are made even more unreliable by non-agricultural factors. These include developments in the monetary situation, which can influence the level of MCA and dual rate expenditure (since the introduction of the EUA for the 1979 budget, dual rate expenditure has now disappeared). It is also worth noting that variations in the time elapsing between an operation and the payment for it made by the paying agencies in the Member States can have the effect of increasing or reducing expenditure from one year to the next. The Commission points out that 'this time lag is generally one to two months, but can be much more for certain measures or countries. It is particularly lengthy in Italy as regards payments of aid for the production of olive oil and the calving premium, although it is becoming shorter¹'.

6. The Commission has conducted a sector-by-sector analysis of discrepancies between actual expenditure and budgetary estimates². There is therefore no need to dwell on this. It is worth considering, however, whether some of the expenditure which has been carried out has brought the expected results.
7. In the dairy products sector, an ideal test sector if ever there was one, 1978 was the first year in which the co-responsibility levy was introduced at the rate of 0.5% of the target price for milk with the objective of expanding the market for dairy products and stimulating consumption. It should be noted that utilization of revenue in 1978 was no higher than 34%, the principal measures being sales of butter at reduced prices for the manufacture of ice cream (28.2m EUA), deliveries of milk at reduced prices for consumption by school children (10.3m EUA), and promotional measures (10.1m EUA) - (Annex II). As regards the latter measures it would have been helpful if the Commission had been able to provide a breakdown of expenditure, showing in particular the amounts of dairy products disposed of in this manner. The same applies to the other measures referred to. Similarly, the Commission points out that the 'Christmas butter' scheme made it possible to dispose of 123,000 tonnes of butter. It should also have stated how much this cost.
8. To sum up, as at 1 January 1978 the levels of public stocks of milk powder and butter were 988,000 tonnes and 142,000 tonnes respectively. The corresponding figures as at 31 December 1978 were 722,000 tonnes and 258,000 tonnes respectively. There therefore seems to have been a transfer from milk powder to butter. It is worth pointing out that the

¹COM(79) 596 final, p.13

²ibid., pp.17 to 22

current intervention price of butter is 284.97 ECUs/100 kg, while that of milk powder is 115.79 ECUs/100 kg.

9. When drawing up subsequent financial reports the Commission should make an extra effort to show its objectives sector by sector, and to indicate clearly, in terms of cost and quantities involved, the effectiveness of the measures taken to realize these objectives. Nothing short of this will enable the European Parliament to evaluate the effectiveness of the measures taken and to exercise its right to establish whether optimal use has been made of Community funds.
10. That having been said, certain comments are in order on the breakdown of expenditure by economic category (Annex III). The Commission states that expenditure on refunds has continued to increase in absolute terms as a result of the Community's export drive on the world market, particularly in respect of dairy products (mainly sales of butter to the USSR and food-aid refunds), sugar and non-Annex II processed products. This expenditure accounts for about the same proportion as in 1977, at approximately 45%¹.

Compensatory aid in the form of aid to the internal market (aid for sales of skimmed milk for animal feed or production aid for olive oil) have fallen in relative value from 33% in 1977 to just over 27% in 1978. Finally, expenditure for storage, the third major category of intervention expenditure, accounted for about 24% of market support expenditure.

11. It will be noted that the export policy costs nearly double the storage policy. It is eight times more expensive to export a given amount of butter, for example, than to store it. It is therefore worth considering whether the Community should not review its management of the surpluses produced under the common agricultural policy and give preference to a storage policy rather than an exporting policy.

A storage policy would have to:

- . satisfy internal consumption;
- . regularize agricultural markets;
- . release the quantities necessary for a food-aid policy;
- . gradually build up emergency stocks to cover two months' consumption in the event of a major political crisis.

¹ibid. p.22

In the present troubled international situation the last of these objectives is especially important in that agriculture is a high consumer of energy. It goes without saying that an oil embargo would soon affect the level of agricultural production. It is therefore essential to make provision for the most vital products (milk powder, butter, cereals, proteins) by organizing minimum stocks for consumption in a crisis. A minimum stockpile covering two months' consumption would seem reasonable.

12. The storage policy, which should be put into operation in the medium term, over a period of say five years, need not be incompatible with a food exports policy to the extent that supplies are available. However, any export policy should be based on a global approach and not on the restricted approach which has been adopted hitherto.
13. The objective of the present export policy is to reduce the level of stocks by selling on the world market irrespective of cost. It would be much more satisfactory to use exports of foodstuffs, which are the Community's principal natural resource, as an instrument of trade. The Community should conclude long-term agreements with its client countries for deliveries by them of the primary products the Community lacks. This would enable the Community to diversify its sources of supply. Moreover, in the case e.g. of butter the export price is the subject of political negotiation.
14. Another important aspect of the financial reports is consideration of frauds committed in connection with the EAGGF Guarantee Section.

The Commission points out that it decided on 25 January 1978 to set up an interdepartmental working group responsible for coordinating inspection visits to the Member States in connection with the Community's own resources and with expenditure financed by the Guarantee Section of the EAGGF. This is a welcome step.

The Commission goes on to describe the different checks which it carried out in 1978¹. It is clear that verification of the validity of MCAs, in particular, is causing serious problems; because the administrative departments of the Member States are not suitably organized.

The Commission points out that the Member States must take the necessary steps to:

- satisfy themselves that the transactions financed by the Fund are actually carried out and are executed correctly;
- prevent and deal with irregularities;
- recover amounts lost owing to irregularities or negligence;
- inform it of the measures taken and of the progress of administrative and legal proceedings.

¹Ibid., pp. 40 to 44

15. Regulation (EEC) No 283/72 of the Council concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organization of an information system in this field¹ stipulates that the Member States shall communicate to the Commission the rules, regulations and administrative provisions which they have adopted in order to achieve the objectives set out above. The Commission states that there has been little opportunity to follow up the analysis of the communications that have been sent to it by Member States, or to send the latter the necessary reminders, since this work has had to be held up to give priority to other activities in the campaign against irregularities.²
16. However, there has been effective cooperation between the Commission and the national administrations in the campaign against irregularities. Meetings of national officials have been held with the 'EAGGF Irregularities' group enabling the national officials concerned to familiarize themselves with Community legislation and to experience the problem of fraud from a Community perspective.
- In the same way, training and information programmes for EAGGF inspectors have enabled the Member States to coordinate measures more effectively and to assist each other in the campaign against irregularities.
17. Anti-fraud measures have been bearing fruit, since in 1978 there were 117 cases of fraud involving a total of 3m EUA, a total of 1m EUA of which were recovered. By comparison, in 1977 there were 152 cases involving a total of 9.5m EUA (see Annex IV).
- It is interesting to note that 58 cases of fraud involved MCAs, 20 involved dairy products and 19 involved beef and veal. With MCAs the frauds arose from the complicated nature of the system. With dairy the reason was 'merry-go-rounds' and weaknesses in supervision, and with beef and veal it was basically the absence of a Community scale for carcasses.
18. It should also be noted that the Special Committee of Inquiry (SCI) submitted a report on the wine sector in 1978³, on which the Committee on Agriculture adopted an opinion as well as undertaking a survey of the cereals sector. The work of the SCI is an important contribution to the effort to improve Community legislation in the sectors inspected. It should clearly be given every encouragement.

¹OJ No. L 36, 10.2.1972, p.1

²Ibid., p.45

³See PE 56.187/fin. - Draftsman: Mr Frankie Hansen

19. As regards financial implementation of food aid, for which the EAGGF Guarantee Section finances the 'refund' component, the Committee on Agriculture has no special comment to make, except to express regret that the Council rejected for the purposes of the 1980 draft budget the Commission's proposal of 16 May 1978 that all food-aid appropriations, including refunds, be entered in a single chapter. This would have made for improved budgetary transparency, since food-aid refunds cannot be considered as agricultural expenditure. Moreover, the Community has asserted repeatedly that it considers food aid to be independent of the existence of agricultural surpluses?

III. EAGGF - GUIDANCE SECTION

20. The objective of the EAGGF Guidance Section is not only to help to bring Community agriculture up to date and raise the standard of living of the agricultural community, but also to influence certain production trends which no longer correspond to market needs. It is in this perspective that the measures taken and sums spent by the EAGGF Guidance Section in 1978 should be considered.

21. The EAGGF Guidance Section finances three types of measures:

- (a) common measures decided on by the Council to achieve the aims defined in Article 39(1)(a) of the EEC Treaty;
- (b) special measures adopted by the Council prior to the adoption of Regulation (EEC) No. 729/70;
- (c) capital subsidies for projects to improve agricultural structures pursuant to Regulation No. 17/64/EEC.

Common and special measures are given financing priority under Regulation (EEC) No. 729/70. Only appropriations remaining available up to the limit of the annual ceiling of 325m EUA are allocated to projects financed under Regulation No. 17/64/EEC. This regulation should have ceased to apply in 1978. However, because of the large number of applications for aid already submitted, its validity was extended into 1978 and 1979 by Regulation (EEC) No. 2992/78¹, and the Community intends to spend 70m EUA on financing these 'individual' projects.

22. Before considering these three types of measures in more detail, a comment should be made on the method employed. Regulation (EEC) No. 355/77² on common measures to improve the conditions under which agricultural products are processed and marketed, the basic principle of which is to grant direct subsidies for investment projects, was first implemented in

¹OJ No. L 357, 21.12.1978, p.3; Doc. 522/78 - Rapporteur: Mr JOXE

²OJ No. L 51, 23.2.1977, p.1

1978. It replaces Regulation No. 17/64/EEC as regards the marketing and processing of agricultural products. But since this regulation is of the same economic nature as Regulation No. 17/64/EEC, the two can be considered jointly.

(A) - COMMON MEASURES (excluding Regulation (EEC) No. 355/77)

23. Common measures include firstly the three socio-economic directives of 1972 (72/159/EEC, 72/160/EEC and 72/161/EEC) and Directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured regions, which was the first attempt at a regional approach to the common agricultural policy.

The EAGGF reimburses 25% of eligible expenditure to the Member States; this figure is however, raised to 65% in the case of expenditure incurred by Ireland and Italy under Directive 72/160/EEC, and to 35% for the same Member States as regards the award of the compensatory allowance provided for under Title II of Directive 75/268/EEC.

It should be noted (Annex V) that Germany is the principal beneficiary under Directive 72/159/EEC (modernization of farms), with the United Kingdom, the Netherlands, Denmark and Ireland a long way behind. These five are the countries that have submitted the largest number of development plans, always a sign of dynamic and well-organized agricultural structure.

The United Kingdom is the principal beneficiary under Directive 75/268/EEC (mountain and hill farming and farming in less-favoured regions), followed by Germany and Ireland. France is the country which benefits most from Directive 72/161/EEC (socio-economic guidance).

Directive 72/160/EEC (cessation of farming) is very little used, and since its introduction has accounted for reimbursements totalling only 412,000 EUA, compared with 190.9m EUA under the other directives. The Commission should therefore review the economic usefulness of this instrument, from which only 1,314 farmers (1,030 of them in Germany) benefitted in 1978.

In general, aid under these four directives does not necessarily go to the Member States which need it most. Thus, apart from Ireland, aid goes principally to Germany and the United Kingdom. Italy, however, gets very little benefit from these measures. To a certain extent, this can be blamed on administrative inflexibility, but it is only fair to ask whether the Commission should not review certain of the criteria for granting this aid in order to ensure that it goes to the regions which need it most. It is from this point of view that the new Commission proposals on agricultural structural policy should be considered¹.

¹COM(79) 122 final, Doc. 47/79

24. 1978 was also the year in which an overall plan for the less-favoured regions of the Community was put into operation.

In the first place there was the 'Mediterranean package', comprising:

- Regulation (EEC) No. 1360/78¹ of 19 June 1978 on the establishment, recognition and operation of producer groups;
- Regulation (EEC) No. 1361/78² of 19 June 1978 amending Regulation (EEC) No. 355/77 in respect of certain Mediterranean regions;
- Regulation (EEC) No. 1362/78³ of 19 June 1978 on a programme for the acceleration and guidance of collective irrigation works in the Mezzogiorno;
- Regulation (EEC) No. 1760/78⁴ of 25 July 1978 on a common measure to improve public services in certain rural areas;
- Directive No. 78/627/EEC⁵ of 19 June 1978 on the programme to accelerate the restructuring and conversion of vineyards in certain Mediterranean regions of France.

Then there was Directive No. 78/628/EEC⁶ on a programme to accelerate drainage operations in less-favoured areas of the West of Ireland.

There was also Regulation (EEC) No. 1852/78⁷ on an interim common measure for restructuring the inshore fishing industry and aquaculture.

These common measures, which extend the scope of the socio-economic directives of 1972, will help to bring about regionalization of structural policy, and that can only be welcomed. It is quite unrealistic in a grouping like the European Community to attempt to impose uniform solutions to the problems of regions that display a considerable social, economic and cultural diversity that should be considered one of the richest features of life in the Community. As regards the impact of the new programme, any conclusions as to its scope will have to await publication of the EAGGF report for 1979.

25. There is also a whole series of common measures in specific sectors, some of which are directly linked to the operation of the market organizations:

- (a) Regulation (EEC) No. 1696/71 provides for launching aid for producer groups and for aid for changing to different varieties and restructuring plantations.

¹OJ No. L 166, 19.6.1978, p.1

²OJ No. L 166, 19.6.1978, p.9

³OJ No. L 166, 19.6.1978, p.11

⁴OJ No. L 204, 28.7.1978, p.1

⁵OJ No. L 206, 29.7.1978, p.1

⁶OJ No. L 206, 29.7.1978, p.5

⁷OJ No. L 211, 1.8.1978, p.30

The EAGGF reimburses 25% and 50% respectively of expenditure by the Member States. The principal beneficiaries of this measure are the two Member States which are the major producers of hops, Germany and the United Kingdom. The measure is effective to the extent that it enables the price of hops in the Community to be supported while improving the balance of supply and demand.

- (b) Regulation (EEC) No. 1353/73 provides for measures to encourage the development of beef and veal production, with the EAGGF reimbursing 50% of their expenditure to the Member States. It turns out that the United Kingdom is the principal beneficiary of the measure, since its farmers hold the largest number of cows. It is followed by Germany and then France. It is, however, Germany that has the largest number of beneficiaries (7,243). It should be noted that Italy is authorized not to apply this measure, since milk production there is lower than in other regions of the Community.

- (c) Regulation (EEC) No. 1078/77 authorizes the payment of premiums for the non marketing of milk and milk products and for the conversion of dairy herds. The EAGGF covers the total expenditure incurred by the Member States. It is intended to complement the previous measure, and is aimed at combatting milk surpluses. For the same reasons as apply to the previous measure, it is not applicable in Italy.

Expenditure resulting from this measure is financed at the rate of 60% by the Guarantee Section and at the rate of 40% by the Guidance Section.

By the end of 1978, a total of 55,000 applications had been approved. Between July 1977 and December 1978, 2.82% of milk producers had ceased production, withdrawing about 638,000 dairy cows, or 2.55% of the total herds, from production. The quantity of milk not marketed represents 2.5% of the quantities delivered to dairies in 1977. The percentage was highest in Germany (5.2%) and lowest in Ireland (0.7%).

The Commission nevertheless recognizes that the ultimate objective of withdrawing 1.3 million cows from dairy production will be far from being achieved: at most 750,000 cows will be withdrawn. Thus despite these withdrawals, the quantities of milk delivered to dairies increased by 5% in 1978, essentially owing to increased output per cow.

Even if the measure has been a partial failure in the short term, however, the Commission still believes that in the medium term the maintenance of a policy restricting prices in the dairy sector might increase interest in it.

It may well seem doubtful whether the Commission will be able to maintain its policy of freezing prices in the dairy sector for much longer. It would be preferable, in conjunction with a co-responsibility levy that would effectively discourage production not dependent on land, while sparing small producers, to make the measure more attractive by increasing the amount of the premiums. To this end it would be better to abolish the non-marketing premium and use the money thus released to encourage conversion to

- beef and veal production,
- the rearing of nurse cows.

The conversion premium must therefore be made more attractive by doubling it if necessary. Moreover, the fact that the Commission's price proposals for the 1980-81 marketing year contain provisions to encourage farmers to raise calves with nurse cows can only be welcomed.

- (d) Directive 75/108/EEC instituted a survey on the structure of agricultural holdings, and the EAGGF reimburses 12 u.a. to Member States for each farm in respect of which data is supplied to the Commission. This is making it possible to build up a more complete picture of farming structures in the Community.
- (e) Regulation (EEC) No. 794/76 is aimed at rationalizing fruit production in the Community by grubbing up fruit trees bearing apples of the 'Golden Delicious', 'Starking Delicious' and 'Imperatore' varieties and pears of the 'Passe Crassane' variety. The EAGGF reimburses 50% of Member States' expenditure. The principal beneficiary is France.
- (f) Regulation (EEC) No. 1163/76 provides for conversion premiums in wine growing for the grubbing up of low-quality vines. France is the sole beneficiary with 10,543 French winegrowers having taken advantage of the scheme in 1977.

B. SPECIAL MEASURES

26. In 1978 the EAGGF Guidance Section granted aid for the following measures (see Annex VI):

(a) Launching aid for fruit and vegetable producer groups

The expenditure incurred by the Member States, calculated on the basis of the value of the products marketed by these groups, is reimbursed by the EAGGF at the rate of 50%.

Italy is the principal beneficiary from the measure in terms of value. Fifty one producer groups have been set up there.

France is the Member State where the number of producer groups formed was highest (167), but expenditure committed by France accounted for only a small proportion of the aid declared to the

EAGGF. Its level is still considerably below the authorized maximum limit. While the measure is practically completed in Germany, it is still under way in France and Italy, where two enquiries are being carried out to determine whether the producer groups have complied with Community rules. Pending the outcome of these enquiries, the Commission decided to suspend reimbursement.

(b) Launching aid for producers' organizations in the fishing industry

The expenditure incurred by Member States, calculated on the basis of the value of the products marketed by these groups, is reimbursed by the EAGGF at the rate of 50%.

This aid has enabled 22 producer groups to be set up. 11 of them in France, six in the United Kingdom, three in Germany, one in Ireland and one in Italy.

(c) Improvements in the production and marketing of Community citrus fruit

Regulation (EEC) No. 2511/69 provides for aid from the EAGGF for converting existing plantations of orange and mandarin trees to other varieties and for the establishment, improvement and enlargement of handling, storage and processing installations for citrus fruit, and additional aid for farmers who undertake conversion. The EAGGF reimburses 50% of Member States' expenditure. Italy and France are the beneficiaries of this measure, the importance of which will increase considerably with the accession of the new Mediterranean countries to the Community.

C. INDIVIDUAL PROJECTS (Regulations Nos. 17/64/EEC and 355/77)

27. The application of Regulation No. 17/64/EEC was extended into 1978 and 1979 by Regulation (EEC) No. 2992/78. Since the projects to be financed had to be put into effect before 1 January 1979, the Commission has been unable to reach a decision in respect of them, and has confined itself to allocating 12.01m EUA, corresponding to appropriations recovered under the provisions of Article 2 of Regulation (EEC) No. 3171/75 amending Regulation No. 17/64/EEC¹. Italy, with eight projects financed to a total of 9m EUA, is the principal beneficiary of this operation (Annex VI). Although the extension of Regulation No 17/64/EEC by Regulation (EEC) No 2992/78 is to be welcomed, it is regrettable that no Community financing could be made available for a number of projects for which the applicants had hoped to receive aid from the Community. The Commission should therefore ensure that applicants are informed rapidly so that they are not kept in suspense over a period of several years, since it is important for an investor to know what sources of finance he can count on.
28. Regulation (EEC) No. 355/77, first implemented in 1978, replaces Regulation No. 17/64/EEC as regards the financing of projects to improve marketing and processing structures for agricultural products. Appropriations available for this measure amounted to 80m EUA for the whole Community; an additional 42m EUA was held in reserve for the Mediterranean regions. Of the latter appropriations, only 22.9m EUA has been committed, owing to a lack of eligible projects. The remaining appropriations have been carried forward to 1979.
29. The Commission authorized 102.9m EUA for 377 projects out of a total of 917 submitted. 404 projects failed to receive EAGGF aid in the absence of available funds.

It is regrettable that less than half the projects received a favourable opinion from the EAGGF, especially in view of the time wasted by the applicants in administrative procedures and the time it takes national and Community administrations to consider these projects.

It would have been better to have increased the total appropriations so that more projects could have been accepted, or to have restricted the number of sectors in which projects might be eligible for Community financing.

¹OJ No L 315, 5.12. 1975, p.1

The appropriations granted were allocated as follows:

Member State	Number of projects financed	Aid granted (mEUA)	Total investment (mEUA)
BELGIUM	30	3.56	23.49
DENMARK	23	3.86	28.52
GERMANY	68	16.64	83.06
FRANCE	47	23.14	99.09
IRELAND	25	6.16	34.60
ITALY	80	34.35	125.51
LUXEMBOURG	1	0.20	0.81
NETHERLANDS	13	4.68	17.35
UNITED KINGDOM	90	10.33	63.70
TOTAL	377	102.92	476.09

The projects financed are broken down as follows:

Dairy products	: 47 projects
Meat	: 78 projects
Wine	: 36 projects
Fruit and vegetables	: 84 projects
Flowers and plants	: 7 projects
Fisheries products	: 27 projects
Cereals	: 29 projects
Animal feedingstuffs	: 18 projects
Seeds and propagating material	: 14 projects
Eggs and poultry	: 22 projects
Olive oil	: 1 project
Tobacco	: 5 projects
Others	: 9 projects
Total	377 projects

It is surprising to find such a high number of investment projects in the dairy sector (modernization and rationalization of dairies: 19 projects; purchase and installation of additional milk-processing equipment: 8 projects) in view of the existing surpluses and considering that projects of this kind tend to push up production since they must be kept profitable. The Commission should refuse to finance any project liable to increase dairy production, because it is absurd to complain about the existence of surpluses while continuing to help to create them.

30. One of the essential differences between Regulation (EEC) No. 355/77 and Regulation No. 17/64/EEC is that projects eligible for consideration for aid as part of the new measures must be entered in a sectoral programme approved by the Commission.

As at 1 June 1979, the Member States had put forward 39 programmes, 13 of them for the Federal Republic of Germany, 9 for the Netherlands, 7 for Denmark, 5 for the United Kingdom, 3 for France and 2 for Ireland. Italy, Belgium and Luxembourg had not as of that date forwarded any programmes.

The Committee on Agriculture deplores the administrative delays which have been noted in certain Member States and which prevented farmers from benefiting from a financial instrument made available to them.

The programmes apply to the following sectors: fruit and vegetables (12), meat (8), milk (4), others (15).

As at 1 June 1979, three programmes had been approved, concerning:

- Pigmeat in Denmark;
- Beef and veal in Ireland and
- Nursery products in Schleswig-Holstein,
Federal Republic of Germany.

IV. CONCLUSIONS

31. The Eighth EAGGF financial report clearly suggests certain conclusions about the management of the common agricultural policy. This is an important aspect of Community activity, especially at a time when the only integrated policy the Community has is under attack by certain interests whose aim is to destroy what has been accomplished since 1951.

32. As regards the Guarantee Section, it is fortunate that the Commission has specified the cost for the Community as a whole. The Guarantee Section accounted for 0.42% of Community GDP in 1978, allowing for expenditure not directly covered by the common agricultural policy, i.e. expenditure in relation to external Community commitments (food aid, ACP sugar and New Zealand butter imports) and expenditure attributable to the absence of economic and monetary union (MCAs and the dual rate).

33. In these circumstances, it is important to note that expenditure in the dairy products sector amounted to 2,895.9m EUA, or about 41% of Guarantee Section expenditure after deduction of agri-monetary expenditure. This percentage is high, but it is the result of the regulations in force in 1978 in the dairy sector.

The direction of dairy policy must therefore be changed by penalizing industrial milk production and strengthening significantly the programme for the conversion of dairy herds and encouraging the raising of nurse cows. Only if this is done will there be any possibility of reducing expenditure in the dairy sector, for the measures taken until now have not been effective.

34. It is also important to combat fraud in both the Guarantee and Guidance Sections, not only as a matter of public morality but in order to protect the common agricultural policy from unjustified attack. In fact fraud accounts for only a tiny percentage of total expenditure.
35. As regards the Guidance Section, the financial instruments have failed to reduce disparities within the Community. It is for this reason that the Commission is submitting new proposals on agricultural structural policy.
36. Community aid is in fact concentrated on the Member States where agriculture is the most prosperous. This is true of Directive 72/159/EEC in particular, but it also applies to the financing of individual projects (see Annex VII).

Since the implementation of Regulation No. 17/64/EEC, extended by Regulation (EEC) No. 355/77, the Member States have received the monies listed below:

	1964-1978 (mEUA)	%
BELGIUM	78.987	7.93
DENMARK	29.091	2.92
GERMANY	334.990	33.63
FRANCE	213.357	21.42
IRELAND	14.936	1.50
ITALY	167.304	16.79
LUXEMBOURG	6.257	0.63
NETHERLANDS	95.692	9.61
UNITED KINGDOM	55.484	5.57
EEC	996.098	100

This state of affairs clearly reveals the inadequacy in many cases of national administrative structures at using Community funds rapidly. In these circumstances it is not surprising that the disparities between the different regions of the Community are increasing rather than diminishing. The Commission should consider, in liaison with the Member States, to what extent administrative procedures can be speeded up, in particular by decentralizing decision-making.

37. In addition to this failure to meet the needs of the least-prosperous regions of the Community, it is also the case that large numbers of individual projects have been financed in the dairy sector. It is legitimate to ask whether this policy is compatible with the objective of reducing dairy surpluses and whether the Commission can be sure that the projects the Community is financing in this sector will not contribute to a growth in these surpluses. There can be no doubt that measures taken hitherto to reduce the surpluses have been a failure. This is true of milk non-marketing premiums, which it would be better to drop, and of reconversion premiums for dairy herds, which are not sufficiently attractive.
38. The Committee on Agriculture therefore asks the Committee on Budgets to include the following points in its motion for a resolution:

The Committee on Agriculture

- (a) Recalls that the common agricultural policy, which is the only integrated Community policy, accounts for less than 0.5% of the Community's gross domestic product;
- (b) Points out that this cost is extremely modest in view of the security of supplies which the common agricultural policy provides to the Community as a whole, a situation which is particularly beneficial to Community consumers;
- (c) Acknowledges that the dairy sector poses a serious problem which should be resolved by discouraging industrial milk production, by operating a common policy for oils and fats and by making premiums for the non-marketing of milk and the conversion of dairy herds to beef production much more attractive; welcomes in this connection the introduction of a nurse cow premium as suggested by the Commission in its plan for improving the common agricultural policy;
- (d) Urges the Commission to stop aiding any projects liable to increase dairy production in the Community;
- (e) Asks the Commission to determine, in close collaboration with the European Parliament, the detailed terms of a storage policy for food products and animal feedstuffs which would shield the Community from the dangers of the current international situation;
- (f) Calls on the Commission and the Member States in this connection to promote studies on how Community agriculture can reduce its energy consumption;

- (g) Requests the Commission to review the agricultural structural policy in order that priority can be given to directing Community aid to the least prosperous regions of the Community;
- (h) Considers in particular that there must be effective coordination of the three Community funds (EAGGF Guidance Section, European Regional Development Fund and Social Fund) in order to reduce income disparities between the regions of the Community;
- (i) Deplores the delays by certain Member States in implementing Community structural measures which penalize their farming populations; calls on the Commission and the Member States to consider jointly how the administrative procedures now in force can be speeded up so that Community aid reaches those entitled to it as quickly as possible;
- (j) Urges the Commission to give more careful scrutiny to ensuring that the projects it finances are consonant with the objectives it is pursuing in its management of the agricultural markets;
- (k) Requests the Commission also to state clearly in its future EAGGF financial reports the cost and the economic effect of measures taken, whether under the Guarantee Section or the Guidance Section, in order that their effectiveness may be assessed;
- (l) Urges the Commission to intensify its campaign against fraud, both as a matter of public morality and in order to protect the common agricultural policy from unjustified criticism.

ANNEX I

EAGGF - Guarantee Section

Comparison between initial appropriations and expenditure in 1978

(m u.a.)

Sector	Initial appropriations	Expenditure	Difference between appropriations and expenditure in 1978	
				%
Cereals	1,428.3	999.5	- 428.8	- 30.0
Rice	36.6	16.7	- 19.9	- 53.3
Milk and dairy products	2,895.9	3,365.7	+ 469.8	+ 16.2
Olive oil	288.5	208.7	- 79.8	- 27.7
Oil seeds	124.8	125.2	+ 0.4	+ 0.3
Sugar	812.5	770.2	- 42.3	- 5.2
Beef and veal	460.8	566.7	+ 105.9	+ 23.0
Pigmeat	84.5	38.3	- 46.2	- 54.7
Eggs/poultrymeat	25.4	33.7	+ 8.3	+ 32.7
Fruit/vegetables	139.2	100.2	- 39.0	- 28.0
Wine	224.3	62.5	- 161.8	- 72.1
Tobacco	237.4	209.9	- 27.5	- 11.6
Fishery products	18.0	14.0	- 4.0	- 22.2
Flax and hemp	15.0	14.4	- 0.6	- 4.0
Seeds	23.0	17.7	- 5.3	- 23.0
Hops	8.0	9.1	+ 1.1	+ 13.8
Silkworms	1.4	0.6	- 0.8	- 57.1
Dehydrated fodder	16.2	38.7	+ 22.5	+ 238.9
Non-Annex II products	120.0	184.4	+ 64.4	+ 153.7
Compensatory 1) Accession	30.0	23.1	- 6.9	- 23.0
amounts 2) Monetary	992.6	717.0	- 275.6	- 27.8
Effect of dual rate	712.9	1,155.4	+ 442.5	+ 62.1
TOTAL	8,695.2	8,672.7	- 22.5	- 0.3

Table 1: Revenue from the co-responsibility levy and expenditure on measures adopted following the introduction of the levy

million EUA

Measure	1977 (from 16.9)	1978	1979 estimates	16.9.1977 to 31.3.1979
A. Revenue from co-responsibility levy	24.0	155.8	30.9	210.7
B. Expenditure				
(a) school milk (Reg. 1080/77)	-	10.3	28.6	38.9
(b) butter for the manufacture of ices (Reg. 232/75)	7.5	28.2)	
(c) concentrated butter for direct consumption (Reg. 649/78)		4.7) 44.7	85.1
(d) promotion, advertising and market research in the Community (Reg. 723/78)))	
(e) market research outside the Community))	
(f) improvement of the quality of milk)	10.1	117.9	118.0
(g) assistance for developing use and consumption of dairy pro- ducts outside the Community)			
	measures to develop outlets			

ANNEX III

BREAKDOWN OF EXPENDITURE BY ECONOMIC CATEGORY -
1978 FINANCIAL YEAR

(m u.a.)

Sector	Total Expenditure	Breakdown according to economic nature of operations				
		Export Refunds	INTERVENTION			
			Storage ¹	Withdrawal and similar operations	Price Compensatory measures	Guidance premiums
Cereals	999.5	744.7	48.7	-	206.1 ²	80.8 ⁴
Rice	16.7	15.9	-	-	0.9	
Milk products	3,365.7	1,313.5	957.3	-	1,014.0 ³	
Oils and fats, including	333.9	0.1	31.4	-	302.4	
- olive oil	208.7	-	31.3	-	177.4 ⁵	
- oilseeds	114.7	0.1	0.1	-	114.5	
- flax seed	10.5	-	-	-	10.5	
Sugar	770.2	556.9	204.1	-	9.2	91.0 ⁶
Beef and veal	566.7	121.6	350.4	-	3.7	
Pigmeat	38.3	26.4	-	-	11.9	
Eggs and poultrymeat	33.7	33.7	-	-	-	
Fruit and vegetables	100.2	47.5	-	23.7	29.0 ⁷	
Wine	62.5	1.5	34.9	20.2 ⁸	5.9 ⁹	
Tobacco	209.9	2.6	27.0	-	180.3	
Fisheries	14.0	7.2	-	6.8	-	
Flax and hemp	14.4	-	-	-	14.4	
Seeds	17.7	-	-	-	17.7	
Hops	9.1	-	-	-	9.1	
Silkworms	0.6	-	-	-	0.6	
Dehydrated fodder	38.7	-	-	-	38.7	
Refunds on processed non-Annex II products	184.4	184.4	-	-	-	
Total	6,777.2	3,055.9	1,653.8	50.7	1,845.0	171.8
%	100	45.09	24.4	0.75	27.22	2.54

- ¹ Private and public storage, including certain disposal measures
- ² Of which production refunds (103.6 m u.a.) + aid for durum wheat (90.1 m u.a.) + other (12.4 m u.a.)
- ³ This amount takes account of the co-responsibility levy charged: 137.4 m u.a.
- ⁴ Premiums for the non-marketing of milk and for the conversion of dairy herds
- ⁵ Production aid (169.7 m u.a.) + other intervention (7.7 m u.a.)
- ⁶ Calving premiums to promote the restocking of herds (91.0 m u.a.)
- ⁷ Promotion of Community citrus fruit (10.2 m u.a.) + processing of citrus fruit (15.2 m u.a.) + intervention in respect of products processed from fruit and vegetables (3.6 m u.a.)
- ⁸ Compulsory distillation of the by-products of wine-making (9.4 m u.a.) + distillation (10.8 m u.a.)
- ⁹ Aid for the re-storage of table wines (2.1 m u.a.)

ANNEX IV

EAGGF - Guarantee Section

Cases of irregularity and amounts recovered

Year	Number of cases reported	Amount (m EUA)	Amounts recovered		
			Number of cases	Amount (m EUA)	%
1971	8	10.987	7	10.867	99
1972	20	2.369	16	0.968	41
1973	50	1.499	39	0.680	45
1974	90	4.472	69	1.188	27
1975	138	3.525	99	1.551	44
1976	239	6.135	102	2.427	40
1977	152	9.534	61	2.197	23
1978	117	2.999	52	1.040	35
TOTAL	814	41.520	445	20.918	50

ANNEX V

EAGGF - GUIDANCE SECTION

COMMON MEASURES

(except Regulation (EEC) No. 355/77)

Reimbursements by the EAGGF in 1978

(m EUA)

	B	DK	D	F	I	IRL	L	NL	UK	EEC
Directive 72/159/EEC	0.343	2.760	12.412	-	-	2.722	0.0006	4.334	5.446	28.018
Directive 72/160/EEC	0.005	-	0.204	0.012	-	0.017	-	0.004	0.008	0.250
Directive 72/161/EEC	0.083	0.041	0.313	2.052	-	0.101	-	-	0.048	2.638
Directive 75/268/EEC	-	-	10.505	-	0.039	9.558	-	-	14.480	34.582
Sub-total A	0.431	2.801	23.434	2.064	0.039	12.398	0.0006	4.338	19.982	65.488
Hop producers	-	-	1.523	0.082	-	0.001	-	-	-	1.606
Conversion to beef production	0.234	0.372	8.388	-	-	0.108	0.025	0.337	3.858	13.322
Non-marketing of milk	1.215	5.399	35.436	15.605	-	0.333	0.274	3.200	4.506	65.968
1975 farm structures survey	-	-	0.341	1.004	0.246	-	-	0.074	0.056	1.721
Conversion in wine sector	-	-	-	9.960	-	-	-	-	-	9.960
Grubbing up of fruit trees	0.256	0.026	0.328	2.718	-	-	0.007	-	-	3.335
Sub-total B	1.705	5.797	46.016	29.369	0.246	0.442	0.306	3.611	8.420	95.918
TOTAL A + B	2.136	8.598	69.450	31.433	0.285	12.840	0.3066	7.949	28.402	161.400

ANNEX VIEAGGF - GUIDANCE SECTIONSpecial measures financed in 1978

	B	DK	D	F	I	IRL	L	NL	UK	EEC
Fruit and vegetable producers	-	0.096	-	-	0.202	-	-	-	0.025	0.323
Citrus fruits	-	-	-	0.071	4.628	-	-	-	-	4.699
Producers in the fisheries sector	-	-	0.028	0.033	-	-	-	-	0.026	0.087
TOTAL	-	0.096	0.028	0.104	4.830	-	-	-	0.051	5.103

Individual projects financed in 1978

(Regulation No. 17/64/EEC and Regulation (EEC) No. 355/77)

	B	DK	D	F	I	IRL	L	NL	UK	EEC
Regulation No. 17/64/EEC	13.598	7.266	55.59	28.951	26.192	3.964	1.142	8.369	12.015	157.088
Regulation (EEC) No. 355/77	0.006	-	-	-	-	-	-	-	-	0.006
TOTAL	13.604	7.266	55.59	28.951	26.192	3.964	1.142	8.369	12.015	157.094

EAGGF - GUIDANCE SECTIONOverall structural expenditure by Member State

	B	DK	D	F	I	IRL	L	NL	UK	EEC
Joint measures	2.136	8.598	69.450	31.433	0.285	12.840	0.306	7.949	28.402	161.400
Special measures	-	0.096	0.028	0.104	4.830	-	-	-	0.051	5.109
Individual projects (R/17/64/ EEC and R (EEC) No. 355/77)	13.604	7.266	55.590	28.951	26.192	3.964	1.142	8.369	12.015	157.034
TOTAL	15.740	15.960	125.068	60.488	31.307	16.804	1.448	16.318	40.468	323.603

